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SENT VIA E-MAIL

Hi all,

I know everyone is interested and busy, as we are, trying to sort out what is going on now with the Egypt FMF issue. I am providing below our lobby team analysis as of today (Dec. 11). As we all know, things change quickly, and the situation is very much in flux, but for now, this is what our team assesses. Please keep us informed also as we wish to coordinate as much as possible. Best regards, Dana

Yesterday, there was a version of the Foreign Operations Appropriations Bill under consideration as the primary vehicle for an Omnibus Appropriations Bill that would carry all 12 of the remaining Appropriations Bills in one document. That version of the Foreign Operations Bill provided full funding for FMF for Egypt without conditionality. There was language at the end of the Bill in a General Provision that was essentially the Kyl language in the Senate version of the Bill. This language spoke to the Gaza border security issue, but did not place conditions on the funds.

The large Omnibus Bill under consideration yesterday by Congressional leadership was not acceptable to the White House because the total domestic spending level in the Bill was \$30 Billion above the President's spending limits. Additionally, there was no emergency funding for military operations in Iraq. The President had threatened a veto.

Because of that, during the late evening yesterday, Chairman Obey (House Appropriations) pulled the Bill back. That means that there is currently no version of the Omnibus being considered for passage. The Congressional leadership (in both chambers) and the White House will have to negotiate anew to see if there is a possible deal that will bring forward another proposal that may be acceptable to all. That means the measure carrying the provision for FMF is again open for consideration of content.

We are hopeful that because the differences involve spending levels and the FMF issue was not about spending level differences, that the FMF issue will remain decided as is and not come under further scrutiny. However, we must guard against any potential threat to bring the issue back under consideration. The longer the overall Bill goes without resolution, the more there is danger of the whole thing falling apart.

There are scenarios that have this decided with compromises on funding levels in the coming days. There are scenarios that have the funding levels and Iraq War funding remaining unresolved and the government remains funded by a long term continuing resolution, leaving the conditionality issue in limbo for a future Bill.

Negotiations and discussion are nearly constant and at very high levels. So far as we know, these discussions are not at a level of detail to be specific to something like the FMF conditionality issue. We will do all we can to remain abreast of the latest and keep you apprised.

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On Monday, December 10th, the Senate-passed version of the FY 2008 Foreign Operations appropriations bill was under serious consideration as the primary vehicle for an Omnibus appropriations bill that would carry all 12 of the remaining appropriations bills in one document. The Senate version of the Foreign Operations bill provides full funding for FMF for Egypt without conditionality. There is also language at the end of the Senate bill that is essentially the same as what was offered by Senator Jon Kyl on the floor --- a "sense of Congress" resolution that speaks to the Gaza border security issue, but which does not place conditions on FMF for Egypt.

The proposed Omnibus bill under consideration on Monday by the Democratic Congressional leadership was not acceptable to the White House because the total domestic spending level in the bill is \$30 billion above the President's spending limits. Additionally, the bill contains no emergency funding for military operations in Iraq. The President, therefore, had been threatening a veto.

Because of the veto threat and the hardening of positions in Congress, Rep. David Obey, chairman of the House Appropriations Committee, withdrew the proposed Omnibus bill late Monday evening. There was a tense standoff all day Tuesday as leaders of each party accused the other of being obstructionist.

At mid-day today, Wednesday, word came that Speaker Pelosi and Chairman Obey have now authorized the chairmen of the 12 subcommittees under the House Appropriations Committee, to begin preparing a new Omnibus bill that will bring down the total level of spending in the bill to within the limits demanded by the President. She thereby is acknowledging that Congress does not have the votes necessary to override a Presidential veto.

It is unclear whether this new Omnibus bill will be based on some of the existing appropriations bills that have been passed by either the House or Senate, or if it will be an entirely new product. Of one thing we can be reasonably sure: having been forced to yield on the overall spending level, the Democratic appropriators can be expected to write their party's priorities into the bill --- thereby telling the President: *You* win on the overall number, but we will tell you how you have to spend it.

All of this means that issues involving foreign policy, including conditionality on FMF for Egypt, could potentially get reopened for consideration of content.

We are hopeful that because the differences between the President and Congress have had to do with spending levels --- and the FMF issue was not about spending level differences --- that the FMF issue for Egypt will remain decided as is (no conditionality on FMF, as contained in the Senate-passed bill) and not come under further scrutiny. However, we are guarding against any potential threat to bring the issue back under consideration.

The longer this new Omnibus bill goes without resolution, the more there is danger of the whole thing falling apart. **It is believed that Democratic Congressional leaders want (hope) to bring the bill to the House floor by some time on Friday, December 14th.**

If the process were to break down again, as happened earlier this week, it is possible, but not likely, that Congress could opt to pass a short-term Continuing Resolution that will carry forward government spending at existing levels until mid-January 2008 --- at which time the whole process for writing and enacting an FY 2008 Omnibus appropriations bill would start all over again. Democratic Members have told us, however, that a Continuing Resolution is not a desirable course and should only be utilized as a last resort when all else has failed.

Negotiations and discussion are constantly going on at the highest level. So far as we know --- and PLM has been maintaining constant communication with senior appropriators from both parties in both houses of Congress --- these discussions are not at such a level of detail as to be specific to something like the FMF conditionality issue. We are doing all we can to remain abreast of the latest developments and will keep you apprised.

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